

Disability Retirement

Eligibility

If you become unable to perform your job because of a physical or mental disability and the disability is likely to be permanent, you may be eligible for a lifetime disability benefit from the Virginia Retirement System (VRS).

You can apply for a disability retirement benefit from the first day of your employment in a VRS-covered position. Any medical condition you have when you are first employed, however, must worsen substantially for you to be eligible to apply for disability retirement.

You must apply while you are employed in a VRS-covered position or within 90 days of leaving employment (as long as you have not taken a refund of the contributions and interest in your account). You can also apply for disability retirement within 24 months of an official leave of absence without pay. If you have been on an official leave of absence without pay for more than 24 months, you are not eligible to apply for disability retirement.

If you are a state employee hired on or after January 1, 1999, or a state employee hired before January 1, 1999, who elected to participate in the Virginia Sickness and Disability Program (VSDP), you are covered under VSDP and cannot apply for a lifetime disability benefit under VRS' disability program.

Determining The Amount of Your Benefit If You Take Regular Disability

If you are vested (have five or more years of service credit), the amount of your benefit is the **higher** of either the VRS formula amount (see below), or the minimum guarantee.

VRS Formula

The VRS formula amount is 1.7 percent of your average final compensation multiplied by your years of service credit. If you take disability retirement before age 60 you use the smaller of twice your actual period of service credit or your actual service credit plus the number of years remaining between your age at disability retirement and age 60, to determine your service credit.

Minimum Guaranteed Benefit

The minimum guaranteed benefit is equal to 33 and 1/3 percent of your average final compensation if you qualify for Social Security primary benefits (a primary benefit is the amount you would receive if you retired at your normal retirement age), or 50 percent of

your average final compensation if you **do not** qualify for Social Security primary benefits. If you are under age 65, you must apply for disability Social Security benefits.

Determining The Amount of Your Benefit If You Take Work-Related Disability

A work-related disability is a disability for which you have received a workers' compensation award and the compensable condition is determined as the primary cause of your disability. If you qualify for a work-related disability benefit from VRS and have five or more years of service, you receive the **higher** of either the VRS formula amount or the guaranteed benefit. The guaranteed benefit is 50 percent of your average final compensation if you qualify for primary Social Security benefits, or 66 and 2/3 percent of your average final compensation if you **do not** qualify for primary Social Security benefits. If you are injured on the job, are receiving workers' compensation benefits and are approved for work-related disability retirement, your VRS benefit is reduced by the workers' compensation you receive.

Because this benefit is reduced by workers' compensation, you must notify VRS of any changes in your workers' compensation benefits.

If you have fewer than five years of service, you are eligible for only the guaranteed benefit.

In addition to a monthly benefit, you receive a refund of the contributions and interest in your retirement account (including any employer-paid member contributions that have been credited to the employer account) in a lump-sum payment. Contact the IRS or your tax advisor for the effect of the refund on your tax status.

Choosing Your Retirement Payment Option

VRS offers two retirement payment options under both regular and work-related disability retirement. The two options are:

Basic Benefit

If you have five or more years of service credit, you receive the higher of either the VRS formula amount or the minimum guaranteed benefit amount. If you have fewer than five years of service credit, you receive the minimum guaranteed benefit amount. This amount is your Basic Benefit. If you retire under regular disability and die before you receive benefits equal to the amount of your contributions plus interest, the monthly benefit ceases and the amount that remains in your member account is paid in a lump sum to your designated beneficiary. If you retire under work-related disability, you receive a refund of contributions and interest at retirement. No further benefits are payable at death under this option.

If you select the Basic Benefit you cannot change this option after your effective date of retirement.

Survivor Options

You may choose to receive a lower amount than the Basic Benefit for your lifetime in order to provide a benefit to another person (called your contingent annuitant) at your death. You can choose any whole percentage of your monthly benefit to be paid to your contingent annuitant after your death, from 10 percent to 100 percent. Your contingent annuitant, however, cannot receive more than 100 percent or less than 10 percent of the monthly benefit you received. During your lifetime, your monthly benefit is reduced from the basic benefit depending on the percentage you've chosen for your survivor benefit and on your age at retirement and the age of your contingent annuitant at the time of your retirement. This benefit continues to your contingent annuitant until his or her death.

Your Spouse's Acknowledgment of Your Retirement Option

If you are married, your spouse must provide written acknowledgment that he or she has read and understood the VRS payment options and the payment option you select. If your husband or wife does not sign the acknowledgment, the processing of your retirement benefit is delayed.

Applying For Disability Retirement

The processing time for a disability retirement application averages 90 days. Submit the application as soon as your condition is determined likely to be permanent and, if possible, before you use all your annual or sick leave. If you have used all your annual and sick leave you may be placed on leave without pay. **You cannot apply for disability once you have exceeded 24 months on leave without pay.** It is your responsibility to be aware of when your leave without pay ends.

All application forms and documents must include your name and Social Security number. It is **your** responsibility to provide all objective medical evidence and other information to VRS. You must include a report of an examination by your physician within six weeks of when he or she fills out the Physician's Report (form VRS-6b). You must submit all information requested for your application to be processed. VRS will not consider incomplete applications. The following forms make up the disability application:

1. Application for Disability Retirement (VRS-6)
2. Disability Information (VRS-6a)
3. Report of Physician (VRS-6b)
4. Employer Information (VRS-6d)
5. Job Description
6. Direct deposit form (VRS-57)

In addition to the forms in the disability application (VRS-6, 6a, 6b, 6d), you must send the following to VRS:

- a birth certificate or other proof of age for you and your contingent annuitant, if applicable. If the birth certificate does not include the full given name and birth date, or if there is a discrepancy, other legal documentation will be required,
- a Social Security disability award or denial, and
- your Workers' Compensation award and accident report if you are applying for work-related disability.

You must apply for Social Security primary benefits at the same time you apply to VRS. You must provide VRS with a copy of your Social Security award or denial before the calculation of your final benefit. If the award or denial is not available when you apply to VRS you can give VRS an acknowledgment from Social Security that you have applied for primary benefits. You must provide VRS with the final decision letter from Social Security. Social Security will not take an application for disability benefits while you are earning wages.

Applying for Work-Related Disability

You must include with your disability application, copies of your workers' compensation award and the accident report leading to the award. When you receive a Social Security award or denial, you must provide a copy of the award or denial to have your VRS benefit calculated.

You can receive a work-related disability benefit only if you have received a Workers' Compensation award and the compensable condition is determined to be the primary cause of your disability.

After you Apply for Regular or Work-Related Disability Retirement

The VRS Medical Review Board, composed of Commonwealth of Virginia board certified physicians, reviews your medical information and makes its recommendation to the VRS Board of Trustees either to approve or deny benefits.

The Medical Review Board may require an independent examination by a specialist it chooses. If this is the case, you are notified and an appointment is set up for you. Refusal to undergo the examination may be a basis for denying disability retirement. VRS pays for this examination.

If VRS denies your disability application, you are notified of the appeal process.

Disability Re-examination

VRS can require disability retirees to provide updated medical information or to have a follow-up examination once a year until they reach normal retirement age. VRS pays the expense of any follow-up examinations. If you refuse the follow-up examination, your benefits stop until you have the examination. If your refusal continues for six months, your rights to any further disability benefits stop. If VRS determines that you are no longer disabled, your benefits stop.

Working After Retirement

If you have been approved for disability retirement, you may work in any job **not covered** by VRS, JRS, SPORS, LEOS (or the Optional Retirement Program (ORP) for Virginia institutions of higher education and state teaching hospitals, or any job for which VRS participation is offered as an option), as long as your duties are not the same or similar to the ones VRS found you unable to perform because of your disability. If you do take a position with similar duties to the job you were unable to perform, your benefits cease.

If you are re-employed in a covered position, your benefits cease and you become an active member of the retirement system. The period of your disability retirement is counted as service credit toward your retirement.

Direct Deposit

Your benefit payment is directly deposited into your checking or saving account on the first working day of each month so there is no chance of lost or stolen checks.

You must complete a direct deposit form (VRS-57), attach a voided deposit slip from the financial institution to which you would like your payment deposited and return it to VRS. Direct deposit begins approximately 90 days after your first retirement payment. Until direct deposit begins, checks are mailed to your home.

Failure to submit a direct deposit form will stop the processing of your disability retirement application.

Cost-of-Living Adjustments

You qualify for a cost-of-living increase on July 1 of the second calendar year after you retire. The yearly cost-of-living increase is reflected in your August 1 benefit payment. Cost-of-living increases are based on changes in the Consumer Price Index and are limited to a maximum of 5 percent.

Taxes

Your regular disability benefit may be subject to state and federal income tax. Under federal tax laws, your disability benefits may qualify you for a special tax exemption.

Contact the Internal Revenue Service or your tax advisor for information regarding disability exemptions.

Your work-related disability is exempt for federal and state taxes if you receive the guaranteed benefit (66 and 2/3 percent or 50 percent of average final compensation). If you receive the VRS formula amount under a work-related disability, however, your monthly benefit is taxed.

The taxable portion of any lump-sum refund paid for a work-related disability is subject to the mandatory 20 percent federal tax withholding and 4 percent state tax on all before-tax contributions and accumulated interest. It is also subject to the 10 percent penalty for early withdrawal if you are under age 59 and 1/2 when you receive the refund, unless you roll over the money to an individual retirement account (IRA) or other qualified plan.

Group Life Insurance

If you are covered under the group life insurance plan, your coverage continues at no cost to you after your disability retirement. If you go on leave without pay before your retirement is approved, you must pay your premiums to keep your insurance.

Until you reach age 65, the amount of your coverage is your final annual salary rounded up to the next thousand and doubled. Beginning January 1 following the date you turn age 65, your insurance begins to reduce at the rate of 25 percent annually until your coverage reaches 25 percent of its value at your retirement. The value of the policy remains at that level for the rest of your life. Accidental death and dismemberment coverage ceases at retirement.

If you are covered under the Optional Life Insurance Plan, you may continue your coverage to age 65 by continuing to pay the required monthly premiums.

Health Insurance

You may be eligible to participate in a group health insurance plan after you retire. Check with your personnel office for more information.

Virginia Sickness and Disability Program

If you are a state employee and became an employee after January 1, 1999, you are automatically enrolled in the Virginia Sickness and Disability Program (VSDP) and are not eligible for the disability program described in this brochure. VSDP replaces the state's sick leave plan and disability program. Under VSDP, you are eligible for up to 10 days of sick leave a year and up to five days of family and personal leave a year, depending on your state service. You are also eligible for short-term disability leave with income replacements levels of 100, 80 or 60 percent, long-term disability, with income replacement levels of 60 percent, and employer-paid long-term care. Contact your human

resource office to determine if you are eligible for VSDP instead of the disability program described in this brochure.

Questions?

If you have any questions about disability retirement, call VRS toll free at 1/888/827-3847 (VA-RETIR) or at 804/649-8059.